

# 2008 2Q Earnings Release



July 21<sup>st</sup> 2008

All information regarding management performance and financial results of LG Electronics (the “Company”) during the 2<sup>nd</sup> quarter of 2008 as contained herein has been prepared on a parent and consolidated basis in accordance with Korean Generally Accepted Accounting Principles (Korean GAAP).

In addition, the information contained herein has been prepared in advance, prior to being audited by outside auditors, solely for the convenience of investors of the Company, and is subject to change in the process of final auditing by outside auditors.

The information contained herein includes forward-looking statements in respect to future plans, prospects, and performances of the Company as well as the Company’s projected sales plan for the 3<sup>rd</sup> quarter of 2008 and the rest of the year. These forward-looking statements also refer to the Company’s performance on both parent and consolidated base, as indicated.

The aforementioned forward-looking statements are influenced by changes in the management environment and relative events, and by their nature, these statements refer to uncertain circumstances. Consequently, due to these uncertainties, the Company’s actual future results may differ materially from those expressed or implied by such statements.

Please note that as the forward-looking statements contained herein are based on the current market situation and the Company’s management direction, they are subject to change according to the changes in future market environment and business strategy.

The information contained herein should not be utilized for any legal purposes in regards to investors’ investment results. The Company hereby expressly disclaims any and all liability for any loss or damage resulting from the investors’ reliance on the information contained herein.

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### Consolidated Sales & Profits

(Unit : KRW tn)

	Sales	QoQ	YoY	OP (%)	QoQ	YoY
<b>Total (Consolidated)</b>	<b>16.47</b>	<b>+14.7%</b>	<b>+24.7%</b>	<b>1.79 (10.8%)</b>	<b>+0.27 ↑ 0.3%p</b>	<b>+1.18 ↑ 6.2%p</b>
<b>LG Electronics Global *</b>	<b>12.74</b>	<b>+13.5%</b>	<b>+22.1%</b>	<b>0.86 (6.7%)</b>	<b>+0.25 ↑ 1.3%p</b>	<b>+0.39 ↑ 2.3%p</b>
<b>LG Display</b>	<b>4.21</b>	<b>+4.4%</b>	<b>+25.5%</b>	<b>0.89 (21.0%)</b>	<b>+0.00 ↓ 0.8%p</b>	<b>+0.74 ↑ 16.6%p</b>
<b>Other Affiliates</b>	<b>0.98</b>	<b>+8.1%</b>	<b>+22.8%</b>	<b>0.05 (5.2%)</b>	<b>+0.01 ↑ 0.7%p</b>	<b>+0.05 ↑ 5.6%p</b>
<b>Intercompany Transactions</b>	<b>- 1.45</b>			<b>- 0.01</b>		

\* Consolidation based on LG Electronics Korea and overseas subsidiaries (excluding internal transactions)

### Sales & Profit\*

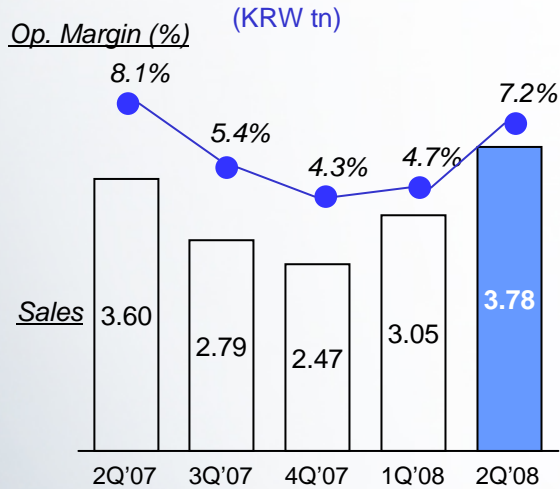
(Unit : KRW bn)

		1Q'08	QoQ	2Q'08	YoY	2Q'07
<b>Digital Appliance</b>	Sales	3,047	+24.1%	3,781	+4.9%	3,604
	Op. Profit (%)	144 (4.7%)		272 (7.2%)		292 (8.1%)
<b>Digital Display</b>	Sales	3,637	+2.9%	3,742	+37.2%	2,727
	Op. Profit (%)	1 (0.0%)		38 (1.0%)		-138 (-5.1%)
<b>Digital Media</b>	Sales	1,310	-6.9%	1,220	-2.1%	1,246
	Op. Profit (%)	17 (1.3%)		13 (1.0%)		-4 (-0.3%)
<b>Mobile Communications</b>	Sales	3,327	+15.7%	3,849	+34.3%	2,865
	Op. Profit (%)	454 (13.7%)		537 (13.9%)		325 (11.3%)
<b>Handset</b>	Sales	3,195	+17.5%	3,754	+38.6%	2,709
	Op. Profit (%)	444 (13.9%)		540 (14.4%)		313 (11.6%)

\* Consolidation based on LG Electronics Korea and overseas subsidiaries (excluding internal transactions)

\*\* Divisional sales includes internal transactions between divisions

### Global\* Performance



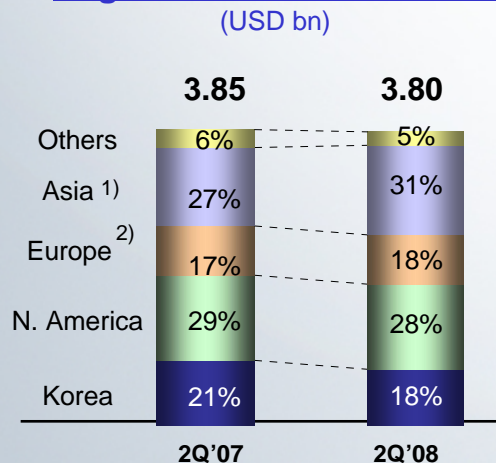
### 2008 2Q Performance

#### ❖ Sales growth of 5% YoY to 3.8 trillion KRW

- Sales growth from Middle East, Asia, CIS markets
- Impact from U.S. subprime effect, Europe's cool summer and slow sales of air conditioners in Korea

#### ❖ Solid operating profit margin of 7% reached despite challenging business environment (increased raw material prices, economic slowdown, etc.)

### Regional Sales Breakdown



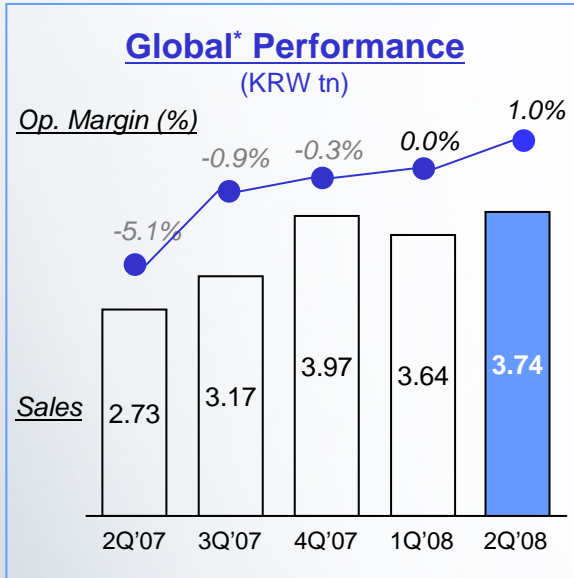
1) Includes MEA 2) Includes CIS

### 3Q Outlook

#### ❖ Market : Concerns of U.S. and Europe market slowdown but continuous growth expected from A/C sales in Korea and premium products in the emerging markets

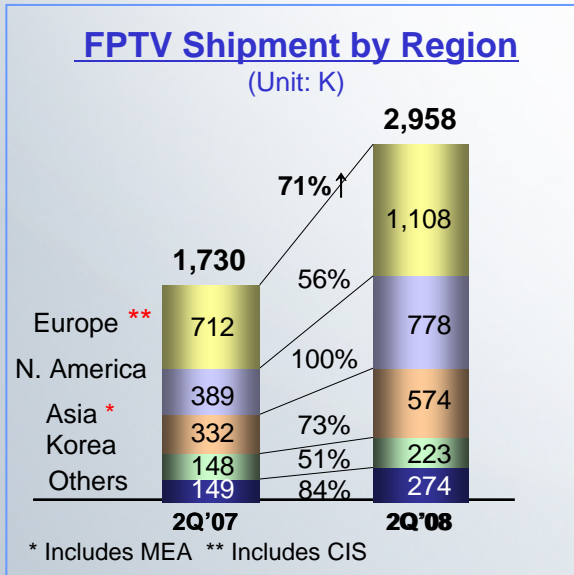
#### ❖ LGE : Stronger marketing for high season, focus on sales expansion of premium products

- Korea : Sales growth expected from high season of A/C, kimchi ref. and washing machines
- Overseas : Focus on sales expansion - new models and premium products



### 2008 2Q Performance

- ❖ Sales increased 2.9% QoQ to 3.7 trillion KRW from strong FPTV sales
  - Display Set: 39% growth YoY
    - LCD TV 86%, PDP TV 31%, Monitors 19% (YoY)
  - PDP module sales increased 22% YoY
- ❖ Following profitability turnaround in 1Q, continuous improvement resulted in positive profitability in 2Q



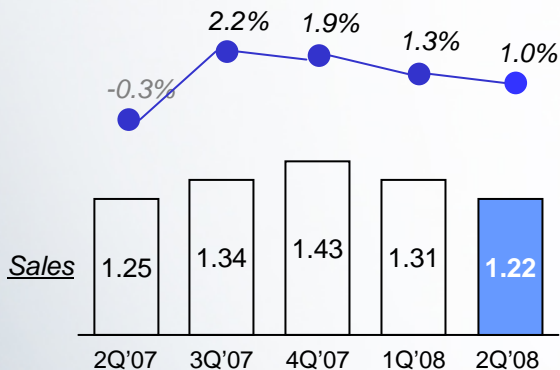
### 3Q Outlook

- ❖ Market : Market demand growth to be slow due to global economic slowdown, but FPTV demand growth in emerging markets and entrance of high season to lead to continuous growth QoQ
- ❖ LGE : - Focus on sales expansion of premium products such as LCD TV “Scarlet” and PDP TV “Renaissance”
  - Continuous efforts on SCM and cost innovation activities linked to panel supply situation

### Global\* Performance

(KRW tn)

Op. Margin (%)

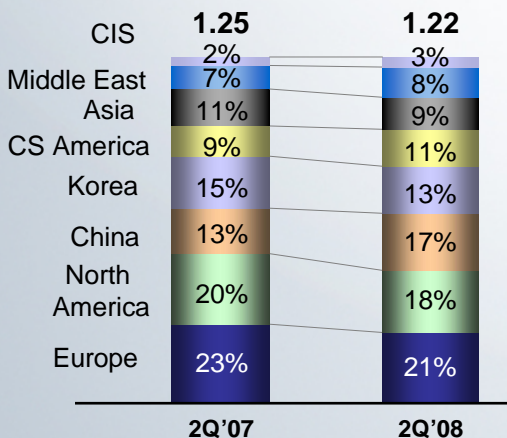


### 2008 2Q Performance

- ❖ Sales decreased slightly due to low seasonality
- ❖ Improved profitability from better business portfolio and CI<sup>1</sup>
  - Media : Sales of main & strategic products increased, stable profitability  
Domination of U.S. D2A Set top box demand
  - DS : Maintained ODD Global Top #1 as notebook DVD-RW sales ↑
  - PC : FX rates led to lower profitability in domestic PCs
  - Car : Sales growth of built-in products led to turnaround in profitability

### Regional Sales Breakdown

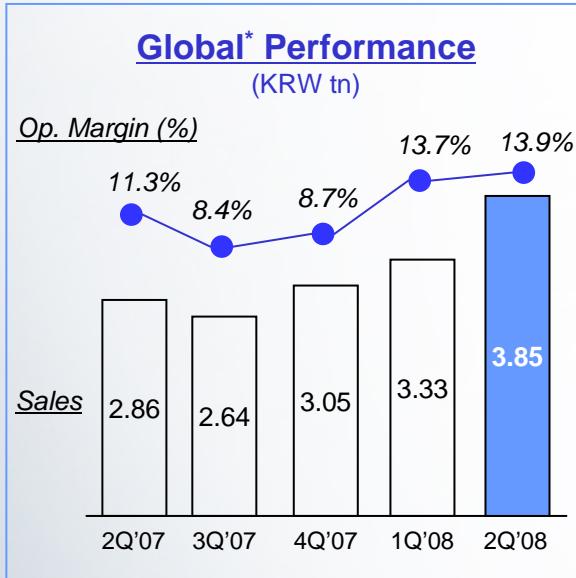
(KRW tn)



### 3Q Outlook

- ❖ Market : Global economy to slow down from higher material costs and cutback in consumer spending
- ❖ LGE : Sustain profitability by risk management
  - High season product management, better procurement
  - Media : Managing massive shipments to emerging markets & special procurements, launching BD players in developed markets
  - DS : Stronger line up & better profitability from BD Slim product launch
  - Car : Sustain profitability from GM new platform launch and AVN sales





### 2008 2Q Performance

- ❖ **Historical high - Sales and shipment of 27.7 million (1H - 52M)**
  - Premium models in line with strategic plan
    - Good performances of Secret, Viewty, Venus and other premium models
  - Emerging market shipment growth emanated from India and CS America
  - WCDMA shipment increased 18% QoQ
- ❖ **Better profitability from sales growth of premium models and improvements in operational efficiency**



### 3Q Outlook

- ❖ **Market : Due to global economic slowdown, emerging market demand growth to slowdown, competition to intensify leading to possible ASP decline**
- ❖ **LGE : Stronger marketing, responding proactively to the market expanding sales and sustaining double digit profitability**
  - Allocation of marketing resources (centered on premium models)
  - Responding to the market situation with appropriate ASP
  - Focus on resource allocation efficiency management, stronger SCM

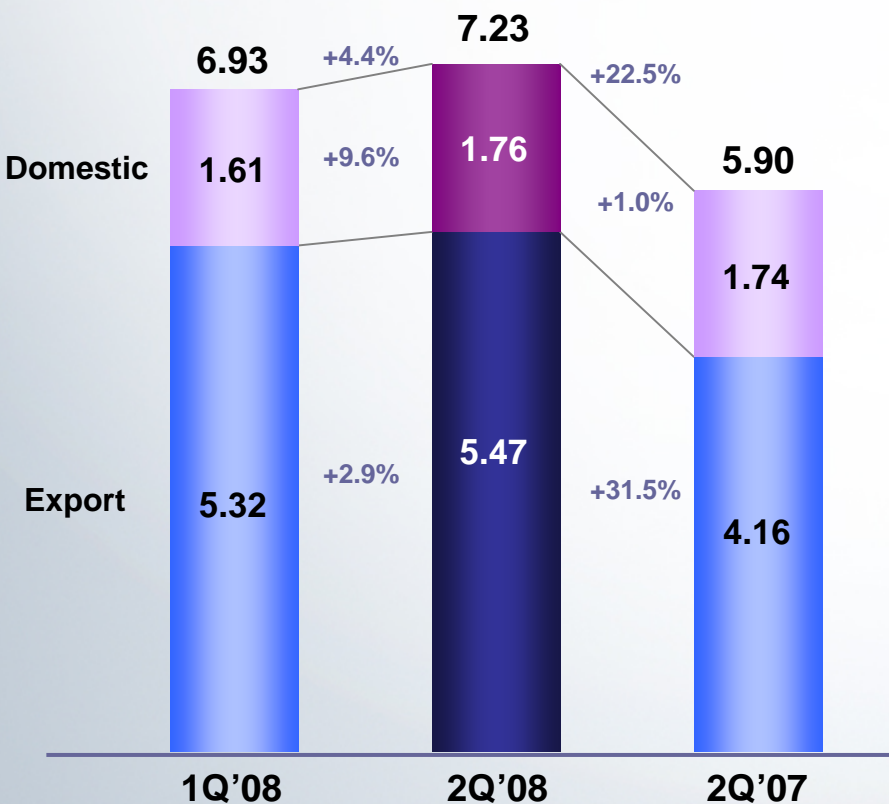
\* Pertains solely LG Electronics and its overseas subsidiaries (excluding internal transactions)

### Sales

(Unit : KRW tn)

### Profit

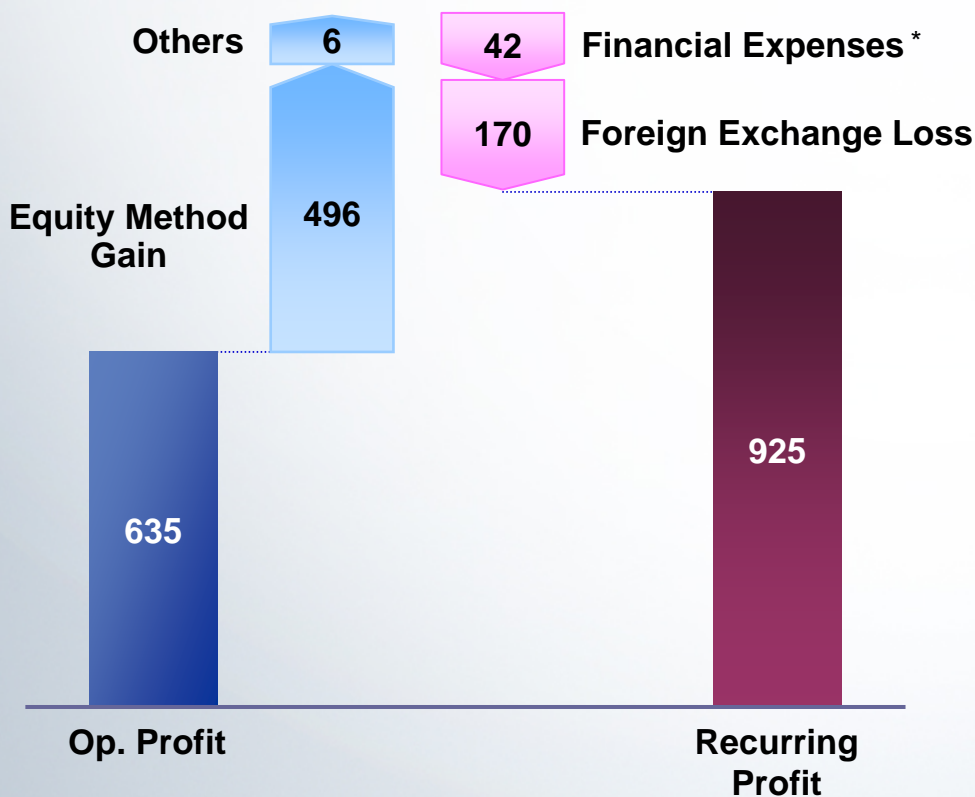
(Unit : KRW bn)



	1Q'08	QoQ	2Q'08	YoY	2Q'07
<b>Operating Profit</b>	564	+13%	<b>635</b>	+336%	146
<b>EBITDA</b>	732	+11%	<b>811</b>	+151%	323
<b>Recurring Profit</b>	498	+86%	<b>925</b>	+101%	461
<b>Net Profit</b>	422	+67%	<b>707</b>	+84%	385

### Non-operating Items

(Unit : KRW bn)



### Equity Method

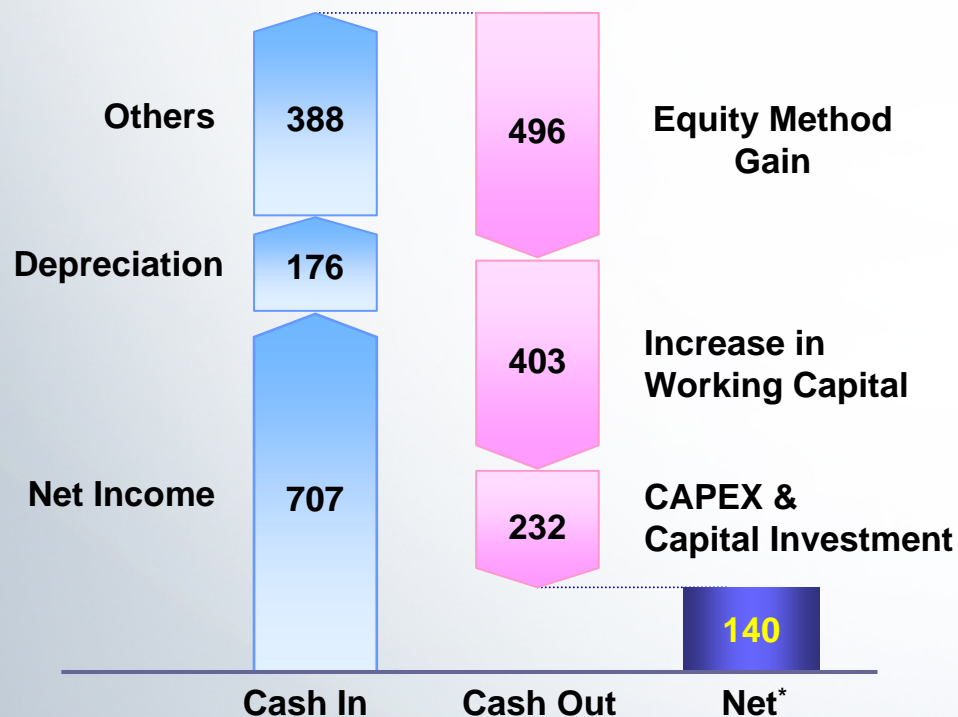
(Unit : KRW bn)

	<u>1Q'08</u>	<u>2Q'08</u>
LG Display	273	287
LGE Overseas Subsidiaries	-17	142
Others	8	67
<b>Equity Method Total</b>	<b>265</b>	<b>496</b>

\* AR discount fee included in financial expenses

### Net Cash Flow \*

(Unit : KRW bn)



### Cash flow

(Unit : KRW bn)

<b>Cash at the beginning of Quarter</b>	<b>993</b>
<b>Cash Flow from Operating Activities</b>	<b>372</b>
Net Income	707
Depreciation	176
Equity Method Gain	△ 496
Increase in Working Capital	△ 403
Others	388
<b>Cash Flow from Investing Activities</b>	<b>△ 232</b>
CAPEX & Capital Investment	△ 232
<b>Cash Flow from Financing Activities</b>	<b>△ 305</b>
Debt	△ 167
Dividends Paid	△ 138
<b>Cash Increase</b>	<b>△ 165</b>
<b>Cash at the end of Quarter</b>	<b>828</b>

\* Excludes cash flow from financing activities

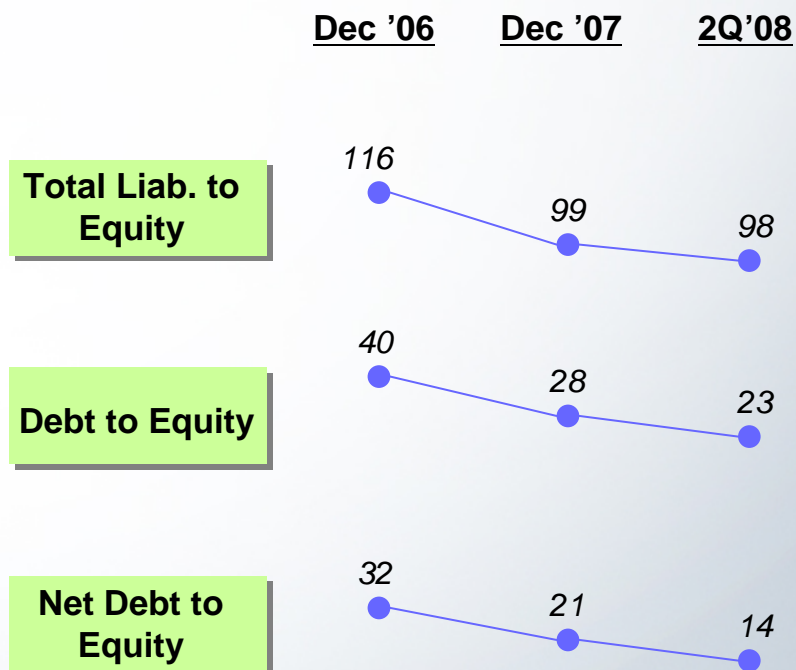
### Balance Sheet

(Unit : KRW tn)

	Dec '06	Dec '07	2Q'08
<b>Assets</b>	<b>13.23</b>	<b>14.34</b>	<b>17.31</b>
Current Assets	3.16	2.83	4.53
Cash	0.51	0.53	0.83
Inventories	1.10	0.95	1.18
Fixed Assets	10.07	11.51	12.78
<b>Liabilities</b>	<b>7.09</b>	<b>7.13</b>	<b>8.55</b>
Current Liabilities	4.90	4.42	5.54
Long-Term Liabilities	2.19	2.70	3.01
<b>Equity</b>	<b>6.14</b>	<b>7.21</b>	<b>8.76</b>
<hr style="border-top: 1px dashed green;"/>			
<b>Debt</b>	<b>2.47</b>	<b>2.05</b>	<b>2.04</b>

### Financial Ratio

(Unit : %)



\* KAI opinion 06-2 not applied to 2006 results.

## IV. 2008 3Q Business Direction and Prospects

**Growth\***

**Sales**

Global economy to slowdown and entering low season for appliances - slower sales expected QoQ

**Profitability\***

**D A**

Low season for air conditioners - profitability to decline QoQ

**D D**

FPTV sales to increase - continue to sustain positive profitability

**D M**

Entering high season - profitability to improve

**M C**

Slower demand and intensified competition in the premium segment in 2H expected –profitability decline QoQ expected but to sustain double digit profitability



<http://www.lge.com>

## Income Statement

(Unit : KRW bn)

	2007					2008				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	6,034	5,903	5,690	5,875	2,350	6,927	7,234			
COGS	4,693	4,580	4,490	4,577	1,834	5,142	5,264			
Gross Profit	1,341	1,323	1,200	1,298	516	1,786	1,970			
SG&A	1,168	1,178	1,107	1,144	460	1,221	1,335			
Op.Profit	173	145	92	154	56	564	635			
Non OP Item	-30	32	29	61	9	-66	290			
Rec. Profit*	-128	461	387	767	149	498	925			
Tax	-6	76	48	146	26	76	218			
Net Profit	-123	385	339	621	122	422	707			

\*Recurring profit is equal to pre-tax profit from continuous operation.

## Balance Sheet

(Unit : KRW bn)

	2007				2008			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Assets	13,342	13,343	13,796	14,338	16,306	17,314		
Current Asset	3,520	3,265	3,306	2,827	4,394	4,533		
Quick Asset	2,323	2,279	2,292	1,882	3,138	3,354		
Inventories	1,196	986	1,014	946	1,256	1,179		
Fixed Asset	9,823	10,078	10,490	11,510	11,912	12,781		
Investment	5,225	5,555	5,974	7,075	7,553	8,464		
Tangible	4,152	4,126	4,118	4,037	3,962	3,852		
Intangible	446	398	398	398	397	465		
Liabilities	7,624	7,214	7,315	7,127	8,514	8,553		
Current Liabilities	5,248	4,697	4,731	4,423	5,733	5,544		
LT Liabilities	2,376	2,517	2,584	2,704	2,781	3,009		
Capital	5,718	6,129	6,482	7,211	7,791	8,761		



(Unit :KRW bn)

		1Q'07	2Q'07	3Q'07	4Q'07	FY07	1Q'08	2Q'08			3Q'08	4Q'08	
								QoQ	YoY				
DA	Sales	1,819	1,789	1,339	1,189	6,135	1,645	1,745	6.1%	-2.5%			
	Op. Profit (%)	218 (12.0%)	173 (9.7%)	65 (4.8%)	55 (4.7%)	511 (8.3%)	186 (11.3%)	207 (11.9%)					
DD	Sales	1,214	1,093	1,389	1,441	5,137	1,466	1,341	-8.5%	22.7%			
	Op. Profit (%)	-194 (-16.0%)	-265 (-24.2%)	-160 (-11.5%)	-96 (-6.6%)	-714 (-13.9%)	-82 (-5.6%)	-117 (-8.7%)					
DM	Sales	713	613	698	688	2,712	692	654	-5.6%	6.7%			
	Op. Profit (%)	6 (0.8%)	-17 (-2.7%)	15 (2.1%)	-6 (-0.9%)	-2 (-0.1%)	-7 (-1.0%)	3 (0.4%)					
MC	Sales	2,300	2,423	2,283	2,567	9,573	3,097	3,460	11.7%	42.8%			
	Op. Profit (%)	155 (6.7%)	265 (10.9%)	181 (7.9%)	209 (8.1%)	809 (8.4%)	478 (15.4%)	545 (15.7%)					
Handset	Sales	2,136	2,253	2,131	2,422	8,942	2,954	3,360	13.7%	49.1%			
	Op. Profit (%)	141 (6.6%)	254 (11.3%)	170 (8.0%)	200 (8.3%)	765 (8.6%)	468 (15.9%)	547 (16.3%)					
Others	Sales	-12	-14	-19	-10	-55	27	34					
	Op. Profit	-11	-11	-9	-8	-38	-10	-2					
Total	Sales	6,034	5,903	569	5,875	23,502	6,927	7,234	4.4%	22.5%			
	Op. Profit (%)	173 (2.9%)	146 (2.5%)	92 (1.6%)	154 (2.6%)	565 (2.4%)	564 (8.1%)	635 (8.8%)					
	Recurring Profit	-128	461	387	767	1,487	498	925					
	Net Profit	-123	385	339	621	1,222	422	707					

\* Divisional sales includes internal transaction between divisions

(Unit :KRW bn)

		1Q'07	2Q'07	3Q'07	4Q'07	FY07	1Q'08	2Q'08	QoQ	YoY	3Q'08	4Q'08
DA	Sales	2,941	3,604	2,785	2,473	11,803	3,047	3,781	24.1%	4.9%		
	Op. Profit (%)	169 (5.7%)	292 (8.1%)	150 (5.4%)	107 (4.3%)	717 (6.1%)	144 (4.7%)	272 (7.2%)				
DD	Sales	2,754	2,727	3,170	3,968	12,619	3,637	3,742	2.9%	37.2%		
	Op. Profit (%)	-262 (-9.5%)	-138 (-5.1%)	-29 (-0.9%)	-11 (-0.3%)	-440 (-3.5%)	1 (0.0%)	38 (1.0%)				
DM	Sales	1,382	1,246	1,336	1,430	5,394	1,310	1,220	-6.9%	-2.1%		
	Op. Profit (%)	11 (0.8%)	-4 (-0.3%)	29 (2.2%)	27 (1.9%)	62 (1.2%)	17 (1.3%)	13 (1.0%)				
MC	Sales	2,509	2,865	2,635	3,050	11,059	3,326	3,849	15.7%	34.3%		
	Op. Profit (%)	121 (4.8%)	325 (11.3%)	220 (8.4%)	267 (8.7%)	933 (8.4%)	454 (13.7%)	537 (13.9%)				
Handset	Sales	2,354	2,709	2,496	2,917	10,476	3,195	3,754	17.5%	38.6%		
	Op. Profit (%)	110 (4.7%)	313 (11.6%)	209 (8.4%)	257 (8.8%)	889 (8.5%)	444 (13.9%)	540 (14.4%)				
Others	Sales	8	-11	-16	-7	-27	-102	144				
	Op. Profit	-11	-11	-9	-8	-38	-10	-2				
Total	Sales	9,593	10,430	9,911	10,914	40,848	11,218	12,735	13.5%	22.1%		
	Op. Profit (%)	28 (0.3%)	464 (4.4%)	362 (3.6%)	381 (3.5%)	1,234 (3.0%)	605 (5.4%)	856 (6.7%)				

\* Divisional sales pertains solely LG Electronics Korea and its overseas subsidiaries and includes internal transactions